

**OFFICE OF PURCHASING
REVIEW OF PURCHASING
POLICIES AND PROCEDURES
JULY 1998**

July 1998

The County Council and County Executive
of Howard County, Maryland

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, we
have conducted a review of selected activities of the

OFFICE OF PURCHASING
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and our report is submitted herewith. The scope of our examination related specifically to a review
of selected County purchasing policies and procedures. The body of our report presents our findings
and recommendations.

The contents of this report have been reviewed with the Chief Administrative Officer, and,
or their designees. We wish to express our gratitude to the Office of Purchasing for the cooperation
and assistance extended to us during the course of this engagement.

Ronald S. Weinstein, C.P.A.
County Auditor

Keith N. Zumbrun, C.I.S.A.
Auditor-in-Charge

SUMMARY:

We reviewed the County's policies and procedures that relate to the purchasing function. Our examination included testing of the major types of bid procurements allowed under County policy to verify that the Office of Purchasing was following and documenting the approved procedures. Our review indicated that the Office of Purchasing is purchasing County goods and services using approved bidding procedures. Our report includes several recommendations that we feel will improve documentation in the purchasing area. We also noted one contract clause relating to discount purchases by County employees that we feel requires interpretation by the Office of Law. The following sections present the scope of our review and our specific findings and recommendations.

INTRODUCTION AND SCOPE:

The scope of our examination was limited to a review of the County Purchasing Policies and Procedures relating to the Office of Purchasing. Our review included tests of the procurement instruments and compliance to the parameters required by the bids. We examined the following five procurement types: informal, sole source, expedited, other governmental purchasing/supply agencies and emergency purchases.

i Informal bidding is used when the estimated purchase is \$3,000 to \$15,000. The majority of our testing focused on telephone solicitation which is used for less than \$3,000 under normal circumstances and up to \$15,000 for supplies and services if time is critical. Sole source solicitations are used when the product is made by a single manufacturer and distributed through a single dealer and the specifications are not overly restrictive to eliminate competition. There is no dollar restriction on these purchases. Expedited procurements are used when it best serves the interest of the public and the procurement is not an emergency, but in which an expedited procurement method outweighs the length of a competitive bid. Expedited procurements may occur when Federal or State revenues to the County may be lost if rapid procurement action is not taken. Also, an expedited procurement is used in situations that would affect negatively the economic welfare of the County if an expedited procurement did not take place. The other governmental purchasing contracts that the County participates in are when there is a pricing advantage obtained using the State of Maryland or other government contracts. Lastly, we looked at emergency

purchases. These are used when a dangerous condition is caused by equipment failure or a condition threatens to terminate a service.

Article VIII, Section 802(a), of the Howard County Charter states that the duties of the County Purchasing Agent shall include responsibility for "the making of all purchases, leases, and contracts for all public works and services, and for all supplies, material and equipment for all offices, departments, institutions, boards, commissions and other agencies of the County Government for which payment is to be made out of County funds." In addition, the policy and procedures found in the County Code and Purchasing Manual were tested for compliance of their respective parameters.

FINDINGS AND RECOMMENDATIONS:

We reviewed a sample of transactions under the procurement vehicles of telephone/fax bids, sole source purchases, emergency purchases, expedited and governmental contracts. Statistics for total purchasing activity from CY 94 through CY 97 can be seen in the attached Schedule 1. Our sample included items from Calendar Years 96 and 97. We asked Purchasing personnel to prepare a listing of informal bids for those fiscal years that had telequote activity. It appeared to us that these types of quotes could lend themselves to circumventing established controls. It seemed that documentation that was not received in a written format could be easily manipulated. However, compensating controls, such as the required written confirmation if the value exceeded \$3,000 and preparation and review of the purchase order requiring appropriate signatures lessened the risk. We examined 70 bids for both fiscal years. We examined documentation and reviewed that the selected items met the criteria for the bid. As we examined this sample, we noted that three were awarded to existing State contracts and County contracts. These met the criteria for lowest responsible bidder as well. Additionally, we examined all the sole source in CY 96 and CY 97, ten items, and found the documentation and criteria to be adequate. The total award for those sole source awards was \$167,243. We reviewed 30 emergency purchases and again found they were being reported properly and all supporting documentation was in order, and the criteria for the purchases was met. We noted only 2 expedited purchases during our review period. Both were for capital projects and totaled \$78,000. We found these to meet the criteria established for these purchases. As part of this review, we contacted selected vendors that were not awarded the bid, to verify that they participated in the bid process as documented by the Office of Purchasing. While a number of vendors could not verify particulars of the specific bid we were inquiring about, all vendors stated they participated in Howard County bids and may have participated in the specific bid inquired about. This was the expected result as the dollar amounts were low, time had passed, and personnel at the vendor's location may have changed. We did notice some bids where housekeeping procedures pertinent to the documentation could be improved. Occasionally the agency will call the vendors and select the vendor who provides the lowest responsible price for an item. This occurs when the agency has a more immediate need and intimate knowledge of their need in which this action would help expedite the procurement process. We found that this documentation is not available in the vendor folder maintained in the Purchasing Office. To maintain a complete vendor record, we recommend that:

1. *Telequote forms completed by agencies other than Purchasing be forwarded to the Office of Purchasing for proper filing with the vendor record.*

Administration's Response:

The Administration concurs and this recommendation will be implemented.

Additionally, we found that several of the telequote forms were not fully completed. Excellent instructions for completing the forms are documented in the existing purchasing manual. To maintain a fully documented record we recommend that:

2. *Purchasing management instruct and reiterate the need for and how to accomplish complete documentation of the telequote form. This should be reviewed and implemented as part of ongoing inter-office training. If forms are not completed correctly, they should be returned to the agency for compliance.*

Administration's Response:

The Administration concurs and management from the Office of Purchasing will train staff on how to achieve complete documentation of the telequote form. All forms that are not completed correctly will be returned to the agency for compliance.

We observed that the Office of Purchasing has embraced much of the current technology as evidenced by their presence on the County webpage. We noted that the buyers are automated with personal computers but without fax cards. Since telequoting is increasingly using fax technology, we recommend that:

3. *Each buyer be given the capability to receive and send faxes from their desktops in tandem with their current internet and e-mail capabilities.*

Administration's Response:

The Administration concurs and this recommendation will be implemented.

During our review we examined a contract that Howard County participates in with the County of Los Angeles and Office Depot for office supplies, equipment, furniture, stationery, supplies and services. As part of this contract, County employees are given the right to participate

in the 61% off manufacturers list price the County receives. Our original concern was why this issue of discounts for employees had not been more widely circulated to employees. However, we noted in our review of the County Charter, Section 901, Conflict of Interest (a) that ". . . No such officer or employee shall accept any service or thing of more than normal value, directly or indirectly, from any person, firm or corporation having dealing with the County, upon more favorable terms than those granted to the public generally. . ." Although this contract could provide significant savings to County employees (especially in purchasing computers) the Office Depot contract and the Charter appear to be in conflict. Therefore, we recommend that:

4. *A referral be made to the Office of Law to review this issue and prepare an opinion on whether a conflict exists with this contract and Article IX, Section 901 of the Charter.*

Administration's Response:

The Chief Administrative Officer will work with the Office of Purchasing to request an opinion from the Office of Law on whether a conflict exists with the Office Depot contract for office supplies and related items and Article IX, Section 901 of the Charter.

Additionally, the County established procurement cards in FY 97. These are credit cards in the County's name which allow authorized employees to purchase items up to \$300. We are currently reviewing those activities under a separate review. However, we noted that the Purchasing Manual has not been updated with procurement card procedures and policy. Also, we found confusion in determining whether it was appropriate to use a procurement card or a requirements contract to purchase certain items. We believe training provided by the Office of Purchasing on a cyclical basis would be helpful in clarifying these issues. Lastly, we observed that the annual purchasing report lists certain statistical information of the preceding year. We found that procurement card transactions were not included. This would be helpful since a primary result should be to reduce minor purchase orders. An increase in procurement card transactions should see a similar decrease in minor purchase orders. We therefore recommend that:

5. ***Purchasing include in the Purchasing Manual Policy and Procedures pertinent to procurement cards and provide training on a cyclical basis.***

Administration's Response:

The Administration concurs and this recommendation will be implemented.

6. ***The annual report include procurement card statistics.***

Administration's Response:

The Administration concurs and this recommendation will be implemented.

Section 4.105, Advisory Committee on Standardization states that "there shall be an advisory committee on standardization to develop County-wide standards for supplies and services used by more than one agency of County Government. The advisory board shall be composed of the County purchasing agent and the directors of each department or the director's designees. The County purchasing agent shall be the chairperson of the committee. Our discussions with the purchasing agent indicated there were no minutes and the committee was not meeting on a regular basis. In an effort to strengthen standardization within the County and thus provide more efficient and cost-effective purchases, we recommend that:

7. ***The Advisory Committee on Standardization convene on a regular basis necessary to accomplish its goals and to document their activities with appropriate minutes.***

Administration's Response:

The Administration concurs and this recommendation will be implemented.

Lastly, we reviewed the progress of purchasing of products made from recycled materials. The intent of Subtitle 5, Sec. 4.500 of the County Code is to preserve our natural resources and to reduce the amount of material added to the waste stream. This was to be accomplished in part by the County establishing a plan for purchasing products manufactured from recycled materials, wherever practical. The results of the recycle purchases from calendar year 93 through calendar year 97 can be seen in Schedule 2 of this report. Purchases have leveled to \$500,000 for the last four years. This section of the Code requires a plan to implement this policy. Our review of the plan

indicated that the Buy-Recycled Committee has not been meeting on a regular basis. Subsequently, a required list of the plan that specifically identifies those products which must be purchased as recycled, when practical, was not developed. This should be an ongoing endeavor as the market place is volatile for these products, and thus changes frequently. It is difficult to measure the success of the plan if these meetings are not in place to encourage buying recycled and establishing a must purchase list. We therefore recommend that:

8. ***The Buy-Recycled Committee meet regularly and continue to develop strategies that support the stated policy, and that the policy and procedures be updated as needed.***

Administration's Response:

The Administration concurs and this recommendation will be implemented.

CY 94, 95, 96 & 97 Purchasing Annual Report Statistics

Purchase Requisitions

Purchase Orders Issued:

Under \$15,000

Over \$15,000

Capital Projects

Total Purchase Orders

Minority Awards

Change Orders:

Commodity/Service

Capital Projects

Total Change Orders

Minor Purchase Orders

Sub-Order Releases

CY 94 Number 3421	CY 94 Value	CY 95 Number 3282	CY 95 Value	CY 96 Number 3060	CY 96 Value	CY 97 Number 3086	CY 97 Value
2322	\$6,035,908	2232	\$5,928,321	1620	\$6,017,142	2105	\$6,390,878
349	\$31,570,993	337	\$29,253,921	774	\$44,013,192	278	\$23,639,792
373	\$22,767,599	322	\$28,186,163	319	\$24,719,582	382	\$39,138,956
3044	\$60,374,459	2891	\$63,368,405	2713	\$74,749,917	2765	\$69,169,627
n/a		\$2,632,601		\$1,791,978		\$3,801,385	
378	\$846,221	258	\$1,776,309	292	\$2,560,276	261	\$2,087,622
439	\$3,727,974	306	\$3,695,587	232	\$4,148,107	276	\$8,093,220
817	\$4,574,195	564	\$5,471,896	524	\$6,708,383	537	\$10,180,842
9125		8498		7961		6632	
11383		11279		11704		10800	

<u>Commodity / Service</u>	<u>CY 93</u>	<u>CY 94</u>	<u>CY 95</u>	<u>CY 96</u>	<u>CY 97</u>
Engines - Truck			\$2,114	\$2,300	\$12,059
Transmissions - Car			\$1,300	\$1,425	
File Folders - All types	\$10,518	\$3,608	\$6,233	\$7,902	\$5,241
Telephone Call Books		\$1,802	\$1,650	\$1,157	\$889
Flooring			\$1,795	\$1,200	
Box Files	\$3,520	\$2,935	\$3,467	\$3,333	\$3,235
Pads & Tablets, all types	\$4,818	\$3,553	\$8,523	\$8,723	\$5,108
Paper - computer & bond		\$40,122	\$48,793	\$66,617	\$48,466
Facsimile machine paper		\$3,455	\$3,674	\$3,886	\$2,533
Adding machine tape		\$651	\$505	\$839	\$381
Desk Trays		\$1,295	\$1,281	\$661	\$799
Recharged Laser Cartridge		\$4,506	\$1,767	\$7,819	\$7,856
Plastic Lumber (memorial benches)		\$3,566	\$3,626	\$1,900	\$45,352
Ingredient Storage Bins			\$550	\$550	
Rebuilt Automotive Parts		\$68,161	\$82,330	\$82,330	
Janitorial Papers		\$13,609	\$14,619	\$14,619	\$13,719
Computers - personal			\$3,235	\$4,200	
Beads, glass: sign and stripe			\$11,091	\$8,046	\$8,912
Promotional brochures (newsprint)			\$69,448	\$129,566	\$71,414
Mulch, wood	\$9,600		\$7,200	\$6,800	\$7,100
Power Transmission Parts			\$1,115	\$1,200	
Wiring Devices			\$1,819	\$1,625	
Retread Tires		\$1,100	\$21,644	\$20,219	
Camera Equipment				\$7,700	
Compressors Industrial				\$1,140	
Steel Barrels				\$540	
Computers - Refurbished Mainframe	\$74,240			\$10,500	\$22,390
Posting Stands and Trays				\$1,610	
Parking Meters				\$18,160	\$6,170
Ammunition				\$1,870	
Pest Deterrent Devices				\$2,900	
Cinders				\$17,400	\$2,850
Steel (reinforcement)				\$7,995	
Steel (deck)				\$11,895	
Steel (joists)				\$28,858	
Steel (structures)				\$17,700	
Roadway Milling - reprocessed Bituminous Concrete		\$110,000	\$40,700		
Bags & Liners	\$669	\$2,906	\$394		\$2,110
Benches - Park			\$673		
Refurbished Mainframe Memory Cards			\$10,700		
Picnic Tables			\$1,809		
Sewage Equipment		\$2,495	\$850		\$4,350
Heavy Equipment		\$4,239	\$2,354		
Pumps - Tire			\$695		
Road Resurfacing - glasphalt base		\$123,319	\$21,450		
Engines - diesel			\$999		
Shingle asphalt			\$19,000		
Tile - wall			\$1,218		
Partitions			\$14,000		
Recycling Containers			\$91,920		

<u>Commodity / Service</u>	<u>CY 93</u>	<u>CY 94</u>	<u>CY 95</u>	<u>CY 96</u>	<u>CY 97</u>
Envelopes					\$1,408
Paper - Duplicate ,offset & coated					\$169,975
Electrical Accessories					\$840
Vehicles					\$53,840
Hydrants - Fire					\$670
Shelving					\$21,740
Systems Furniture					\$13,130
Hammers, mallets & Sledges					\$2,820
Traffic Cones and Markers					\$2,650
Stapling Machine					\$1,760
Slides - Playground					\$6,390
Engines - automobile	\$3,000				
Acoustical Tile: All types	\$461				
Continuous Forms - Stock	\$10,000				
Visual Filing Systems	\$533				
Music Systems	\$1,175				
Paper - Cut & Uncut	\$47,000				
Fax Machines	\$750	\$1,500			
Recoat Roller - Waste Water Treatment		\$605			
Tote Bags		\$148			
Contour Benches		\$1,762			
Refurbished Disk Controller and Drives		\$5,700			
Outdoor Furniture		\$6,995			
Post-it-notes pads - white		\$3,186			
Composting Bins (recycled plastic)		\$12,586			
Rebuilt Alcohol Simulators		\$976			
Refurbished Work station		\$75,110			
Water meters - refurbished		\$19,000			
Drinking Cups		\$366			
Antifreeze		\$1,356			
<u>Totals</u>	<u>\$166,284</u>	<u>\$520,610</u>	<u>\$504,541</u>	<u>\$505,185</u>	<u>\$546,157</u>